

Business Climate for Resorts in Otter Tail County

Kelly Asche, Ryan Pesch, Dan Erkkila, U of M

Nick Leonard, Otter Tail County Economic Development



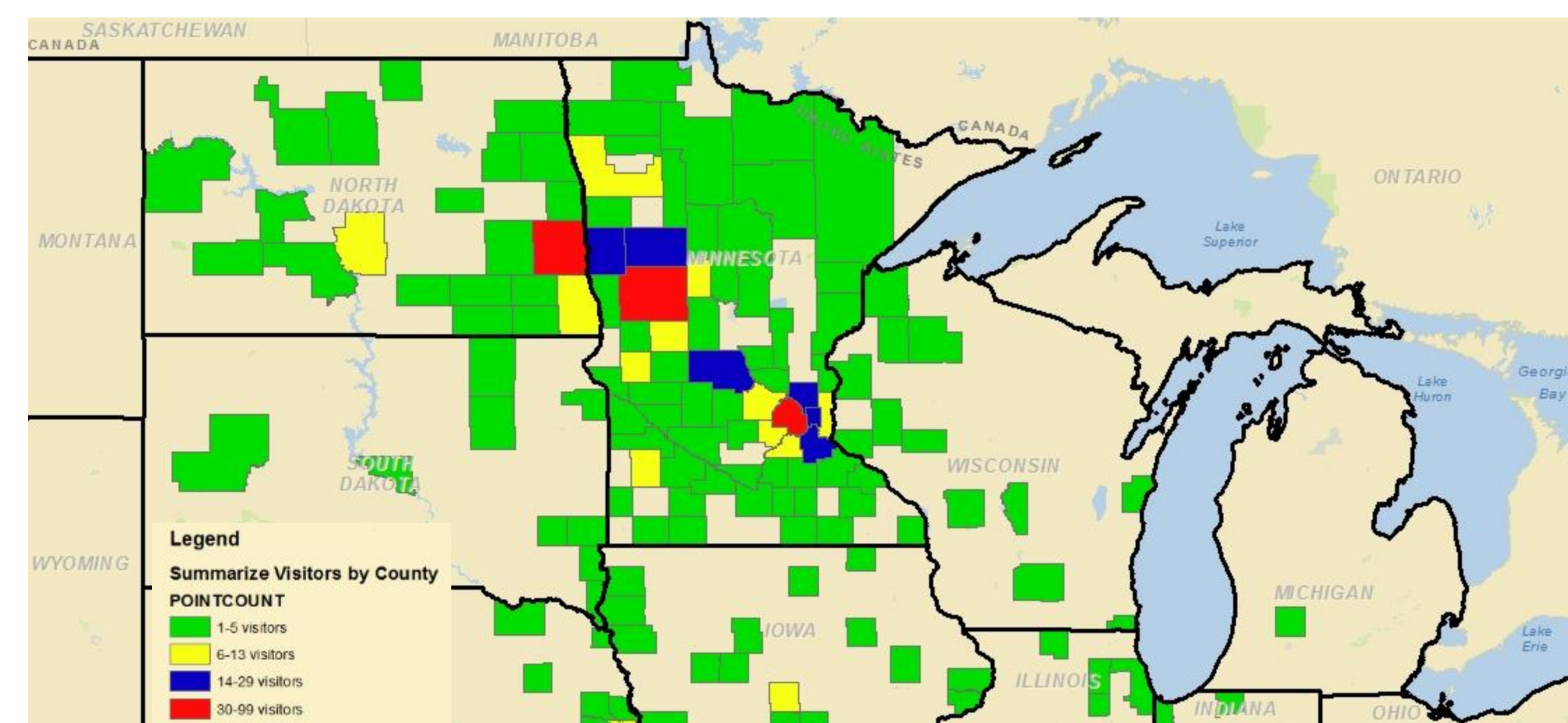
UNIVERSITY OF MINNESOTA
EXTENSION

Introduction and Purpose

The general purpose of this research was to understand the current state of resort businesses in Otter Tail County. The explicit objective was to educate Otter Tail County commissioners about the current economic impact of the resort industry and to identify ways the county could support the local resort industry.

Located in the West Central Lakes District, Otter Tail County boasts over 1,000 lakes that attract visitors primarily from the Upper Midwest, and particularly the Fargo-Moorhead and Twin Cities markets.

Distribution of survey respondents to Otter Tail Branding Study, 2013



Methods

The research team gathered information about resorts and resort owners' views through both an online survey and in-person focus groups hosted by the Otter Tail Tourism Association.

The online survey gathered details about resorts and their offerings including size, ownership, location, available accommodations, amenities offered, and future plans. All 139 identified resorts were invited to participate in the survey and 38 participated.

Focus groups were organized to discuss operational and business challenges in detail. Over 30 resort owners attended the retreat where focus groups were conducted.

Resort Profile

- Long tenure:** 71% have owned resort over 11 years
- Summer focus:** Only 32% of resorts were open in winter
- Small lots:** Most are less than 10 acres in size (median = 8 ac.)
- Local residents:** 76% live on-site year round
- Traditional amenities:** 89% offer boat rental and 63% offer canoe or kayak rental; 91% have internet on-site
- Little packaging:** Only 9% report having arrangements with others near resort for discounts of goods or services

Economic Impact of Resort Visitors

Visitors to resorts are only one segment of tourists in the county. Seasonal residents have an especially large presence. The research team applied a modified spending profile of tourists to an estimate of total visitor-days and compared this total spending to a similar estimate of spending based on a survey of second homeowners in 2014.

Based on survey responses extrapolated to total number of resorts still in operation in county (114 resorts), we estimate that 8,550 people stay in resorts at full capacity.

Spending Category	Seasonal Residents		Resort Guests	
	Per person per day	Total for Otter Tail	Per person per day	Total for Otter Tail
Groceries or Liquor	\$3.87	\$11,684,160	\$8.00	\$6,361,200
Dining or Bars	\$2.39	\$7,205,232	\$21.00	\$16,698,150
Transportation (including gas and auto service)	\$2.39	\$7,205,232	\$16.00	\$12,722,400
Entertainment and Recreation	\$2.42	\$7,302,600	\$14.00	\$11,132,100
Total	\$11.06	\$33,397,224	\$59.00	\$46,913,850

Table 4: Comparison of Seasonal Resident and Resort Guests Spending Estimates for Otter Tail County

*Based on 93 days full capacity of all seasonal residences with over \$20,000 building value and all resorts in Otter Tail County.

Based on linear foot of shoreline, seasonal residents spend \$32 locally whereas resort guests spend \$764.

Property Improvements

The focus group discussions uncovered a pent up demand for improvements, but owners hold back full investments due to tax and regulatory burdens that seem disproportionate.

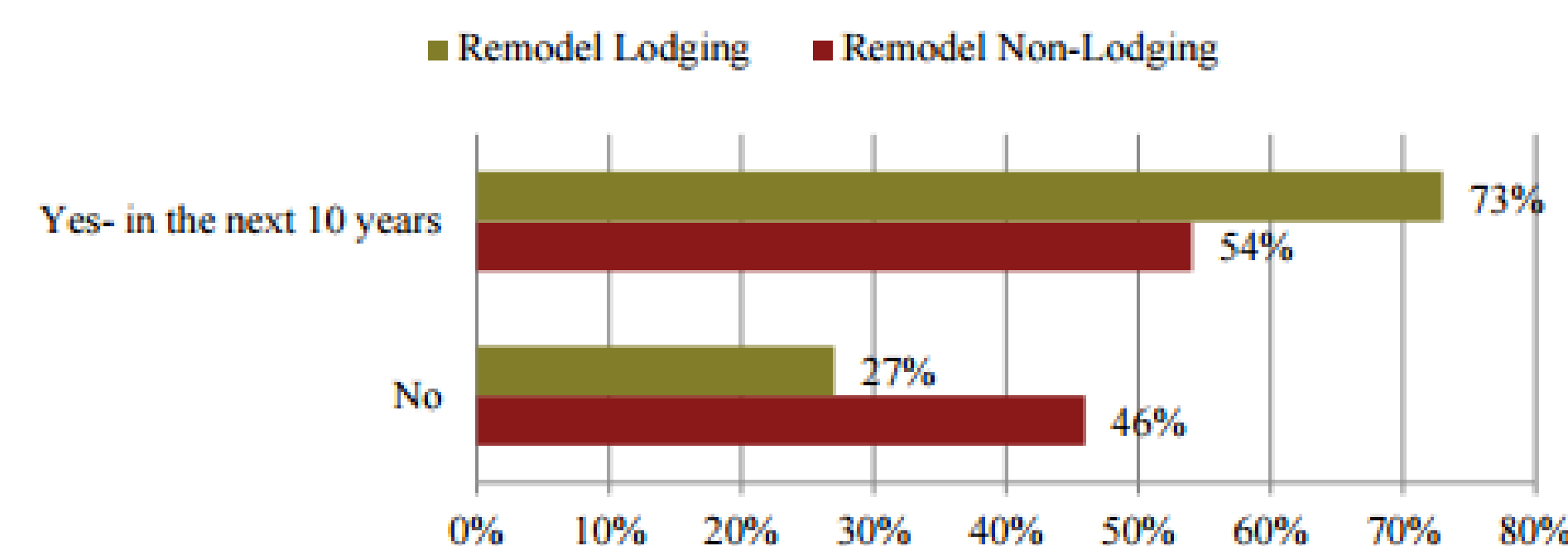
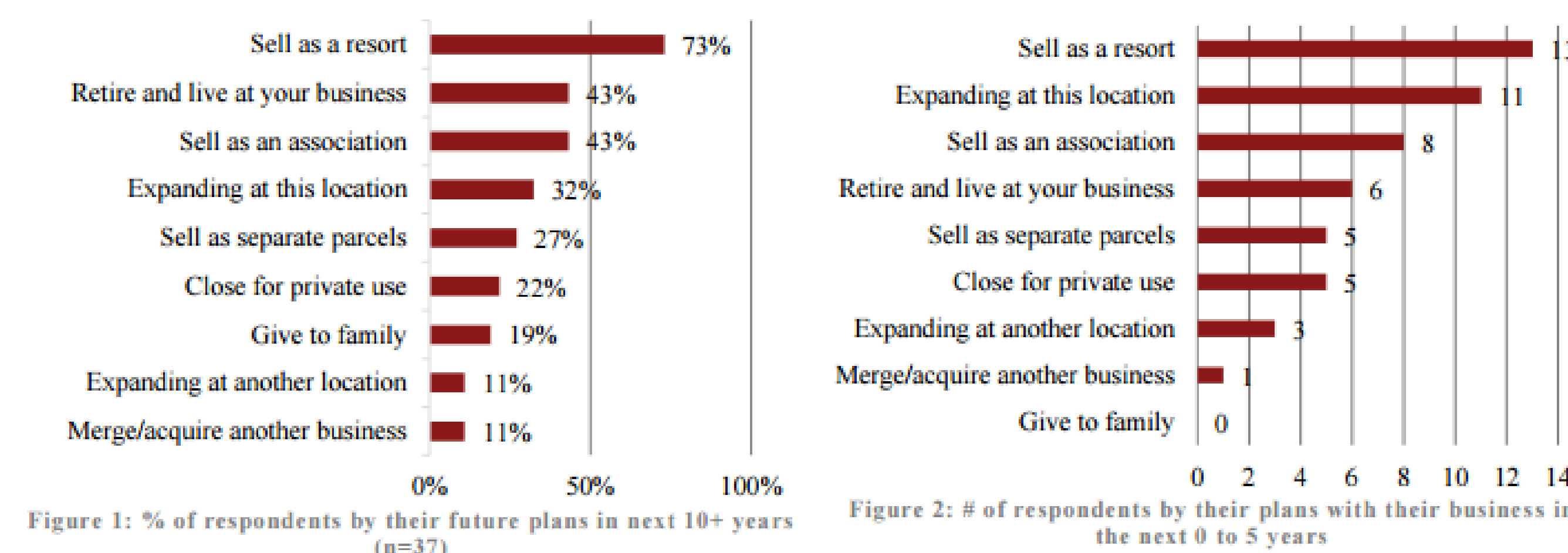


Figure 22: % of respondents by whether they plan on remodeling any lodging or non-lodging space within 10 years (n=37)

Future Plans

A large majority of respondents expect to transition in the next 10 years.



Business Challenges

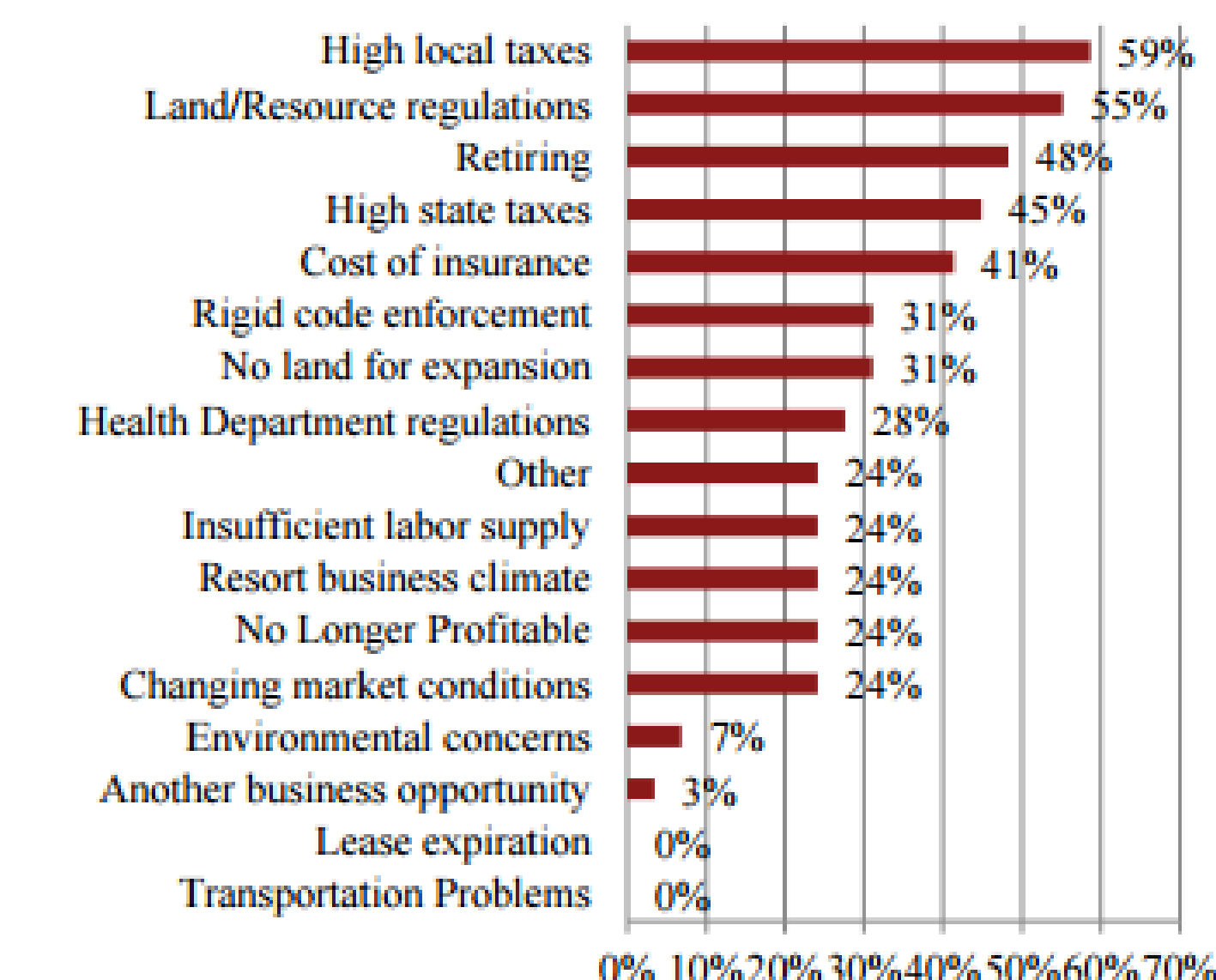


Figure 4: % of respondents by reasons for selling, closing, or downsizing (n=29)

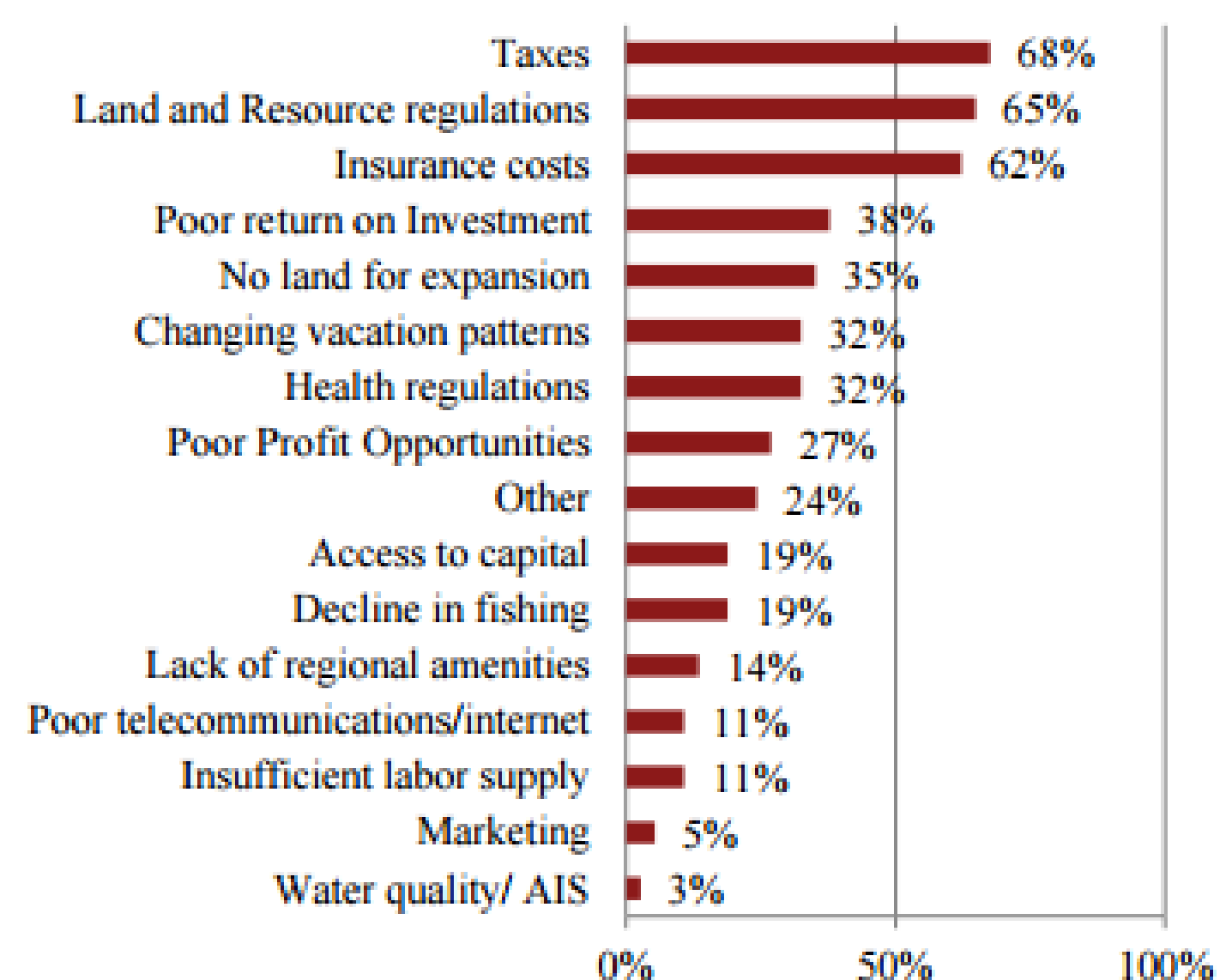


Figure 5: % of respondents by their feelings on biggest barriers preventing business growth (n=37)

Application of Results

The research team presented results of the project to the Otter Tail County Commissioners and suggested policies they could enact to support the local resort industry. Some suggestions included:

- Property tax policies that encourage investment in new resorts and campgrounds as well as the redevelopment of existing properties.
- Continue to invest in infrastructure that makes Otter Tail County an attractive destination for visitors.
- Consistent application of newly adopted shoreline rules and regulations.
- The County should consider partnering with USDA to create a Rural Economic Development Loan and Grant Program for the tourism industry.

Related Research

- Asche, Kelly; Pesch, Ryan; and Wente, Jordan (Center for Smal Towns, 2013). Otter Tail County Tourism Association - Brand Equity Study. Avail able at <http://digitalcommons.morris.umn.edu/cst/65>
- Erkkila, Daniel; Qian, Xinyi; Teng, Somongkol (University of Minnesota Extension, 2016). Itasca County Visitor Profile. Available at <http://conservancy.umn.edu/handle/11299/178350>
- Pesch, R. and Bussiere, M. (2014). Profile of Second Homeowners in Central and West Central Minnesota. Available at <http://z.umn.edu/2ndhomeowners>

Future Research

- Clearly, traditional 'mom and pop' resorts are in transition. Many operators are baby boomers looking to retire. Research on changing travel tastes and behaviors of those families who have a tradition of staying at these traditional resorts would assist existing and new resorters to adapt.
- Many of the challenges related to regulations and taxation are controlled by state and federal authorities. Consistent research about business challenges across a larger geographic area of Minnesota may inform how state policies need to change to support the industry.